

Implementation of the ESA 2010 sub-sectors in the monetary and financial statistics of the ECB

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Overview

- ESA and ECB Statistics
- Framework for ECB Statistics
- The euro area financial sector - overview
- The euro area financial sector – details
- Conclusions

ESA and ECB statistics (I)

- **ESA 2010** replaces **ESA 95**
- ESA concepts and reporting **mandatory** for national accounts in EU
- ECB/ESCB statistics **fully/largely consistent** with the ESA
- **Euro area accounts**: ESA compliant, in cooperation with Eurostat
- **ECB primary financial sector statistics**: ESA based, some deviations
 - Conceptual: e.g. recording of accrued interest
 - Data source alignments: e.g. to accounting or supervisory sources
 - Practical: high frequency and timeliness required for primary statistics

ESA and ECB statistics (II)

3 main benefits of aligning ECB monetary and financial statistics with the ESA 2010:

- ESA provides consistent framework for users and reporting agents
- Consistent basis for input into other statistics (e.g. EEA, BoP)
- Statistics collected under ECB statistics for euro area purposes also used by central banks/national statistical institutes to meet reporting obligations of countries against Eurostat

Framework for ECB statistics

ECB statute and EU Council Regulation → financial sector statistics

ECB adopts regulations (binding for euro area reporting agents)...

... and guidelines (binding for euro area NCBs)

ECB Statistics Committee co-ordinates ESA 2010 changeover

Merits and costs procedure before new ECB regulations

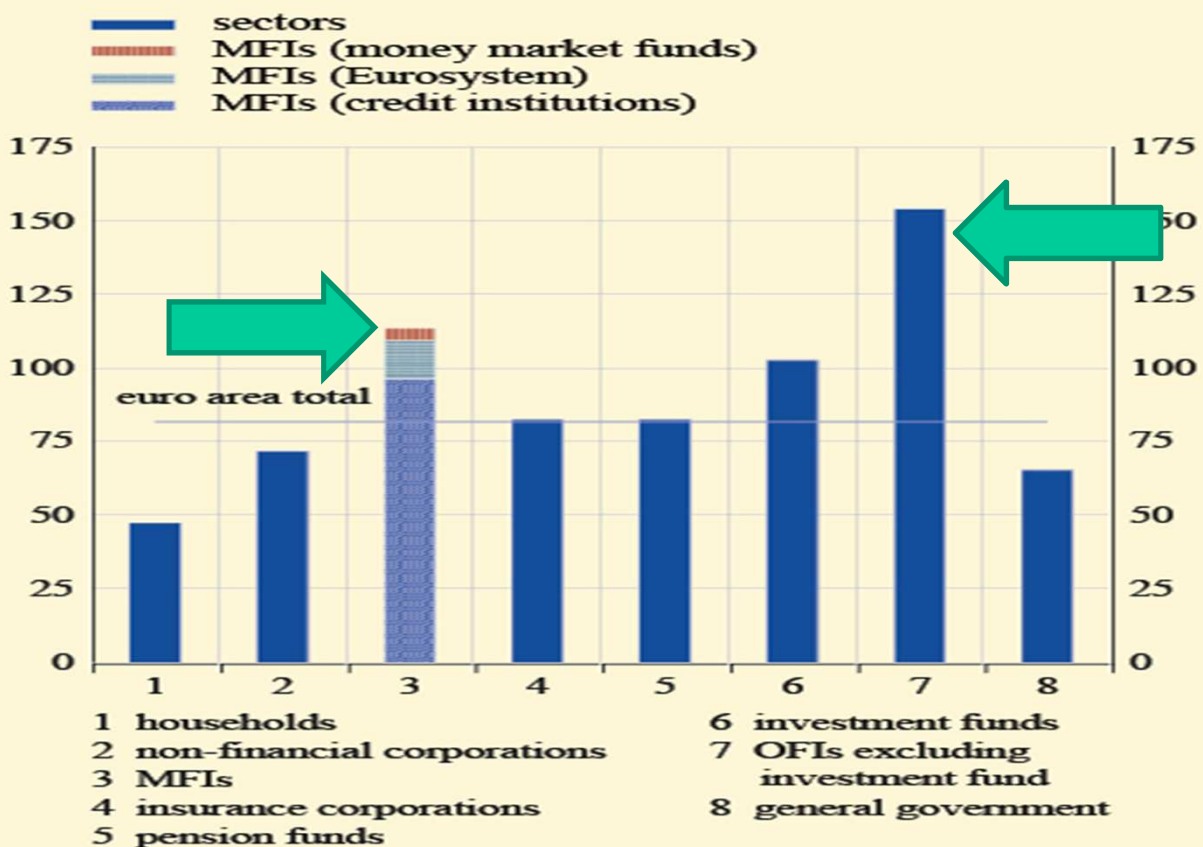
Changeover in 2014H2/2015H1

Euro area countries and (often) other EU countries

Euro area financial sector – Overview (I)

Chart I Increase in financial assets from 1999 to 2010 by sector

(total percentage change)

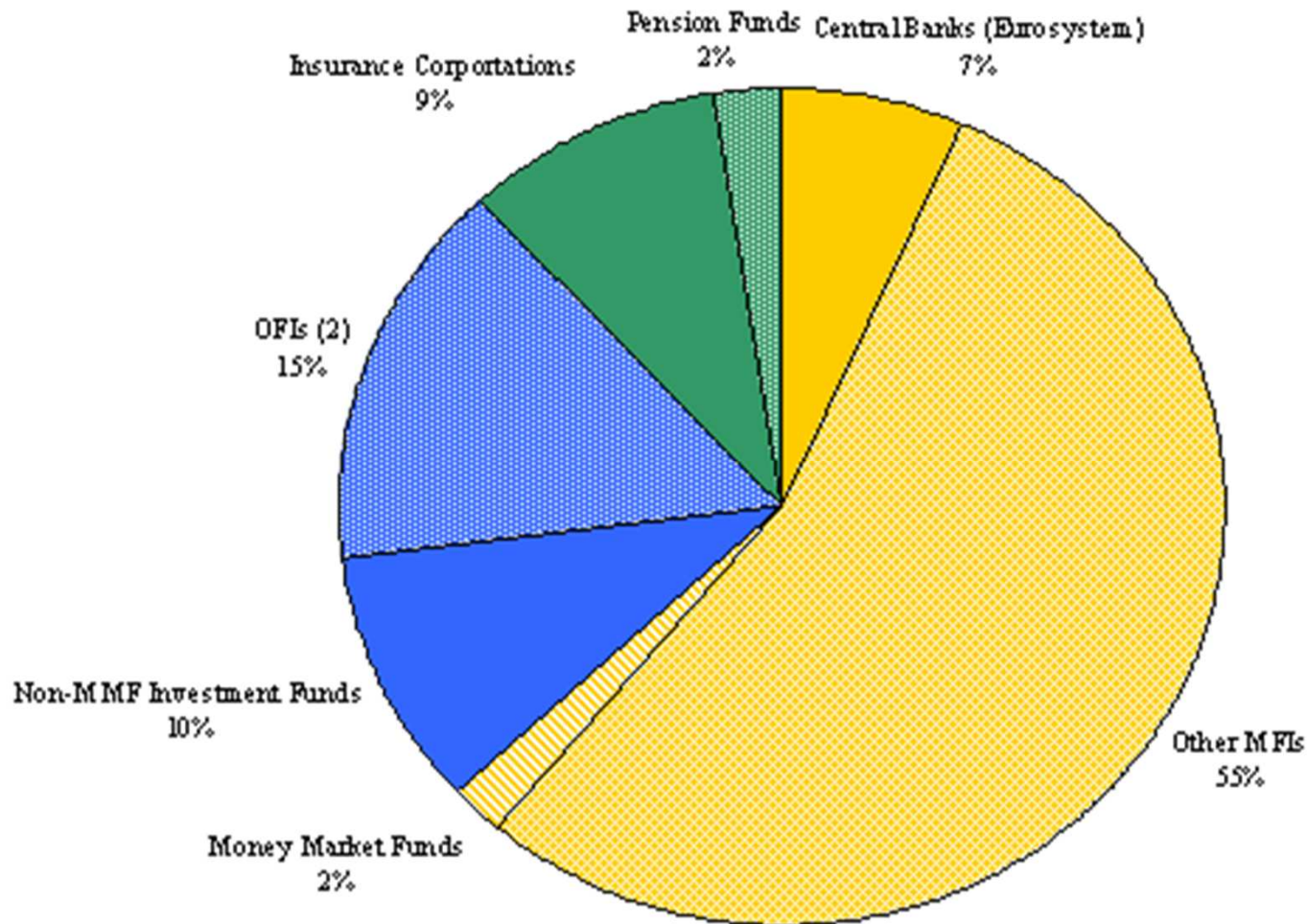


Source: ECB.

Note: Item 3 (MFIs) is broken down into the contributions of the MFI sub-sectors to the total percentage increase in the financial assets of the MFI sector. The horizontal line represents the percentage increase in total financial assets in the euro area.

Euro area financial sector - Overview (II)

Chart 2: Financial Corporations in the euro area
Share of total assets, end-September 2011



Euro area financial sector - Overview (III)

Table 2: Financial Corporations in the euro area

Share of total assets; end-Sep. 2011

	Total FinCorp	Euro-system	Other MFIs	Money Market Funds	Investment Funds	OFIs ⁽²⁾		InsCorp	Pension Funds
	S.12	S.121	S.122	S.123	S.124	S.125, S.126, S.127	of which FVC	S.128	S.129
	Share of total assets in the country (%)								
euro area	100	6.6	54.5	1.8	10.2	15.1	3.7	9.4	2.4
BE	100	-	68.3	0.3	4.5	11.9	4.9	14.4	0.7
DE	100	-	69.4	0.1	9.4	5.1	0.5	12.9	3.1
IE	100	-	31.8	11.2	20.1	28.1	15.6	6.9	1.8
ES	100	-	74.4	0.2	3.3	14.3	9.6	6.0	1.7
FR	100	-	66.3	3.1	8.3	6.4	1.4	15.8	-
IT	100	-	73.2	0.6	3.9	12.6	6.1	9.3	0.5
LU	100	-	15.4	5.4	39.5	36.9	1.9	2.7	0.0
NL	100	-	35.2	0.0	7.4	39.3	5.9	6.1	12.0
Plus 9	100	-	82.1	0.8	3.7	6.1	0.4	5.9	1.3

9 countries: EE, GR, CY, MT, AT, PT, SI, SK, FI

Euro area financial sector - Overview (IV)

First conclusions:

Separation of sizeable investment fund sector, and (much smaller) MMF and pension funds sectors welcome

These accounting for overall 14% of financial sector

Challenges due to very uneven country distribution of these sectors:

→ derogations for reporting agents (partial or full) in ECB regulations

→ counterpart identification of very small sectors and institutions (for euro area statistics also cross-border sector identification needed !)

Plan for sector and sub-sector breakdown

Proposed breakdown of the sector financial corporations (S.12)

The central bank	S.121
Deposit-taking corporations except the central bank	S.122
Money market funds (MMFs)	S.123
Non-MMFs investment funds	S.124
Other financial corporations = other financial intermediaries, except ICPFs (S.125) + financial auxiliaries (S.126) + captive financial institutions and money lenders (S.127)) <i>Of which: Financial vehicle corporations (part of S.125)</i>	S.125 to S.127
Insurance corporations (ICs)	S.128
Pension funds (PFs)	S.129

Euro area financial sector – Details (S. I21-S.123)

Monetary Financial Institutions

- central banks, deposit taking corporations and money market funds (MMFs)
- covered in Regulation ECB/2008/32
- recently tightened (supervisory) definition of MMFs - reduced euro area reporting population by 1/6 (total assets)

ESA 2010 → only minor amendments needed (e.g. counterpart sector breakdown)

Euro area financial sector – Details (S.124)

Investment Funds

- ECB statistics cover UCITS and non-UCITS funds; bond, equity, mixed, real estate, hedge funds, Exchange Trade Funds, funds of funds
- covered in Regulation ECB/2007/8

ESA 2010 → only minor amendments needed (e.g. counterpart sector breakdown)

Euro area financial sector – Details (S.125)

Other financial intermediaries (OFI) - FVC

Financial Vehicle Corporations is the only OFI sub-sector currently covered in ECB regulation (2008/30) (accounting for ¼ of OFIs)

Covers true sale or synthetic securitisation of credit risk

Important to avoid classification differences: all FVCs identified for ECB statistics should be allocated here (original ESA draft suggested that FVCs are not institutional units - “*not bearing risk*”)

Assumption: Vehicles for securitisation of other risks (e.g. insurance) also to be classified here

ESA 2010 → only minor amendments needed (e.g. counterpart

Euro area financial sector – Details (S.125 & S.126)

Other financial intermediaries (OFI) and financial auxiliaries (except FVCs)

Not covered in ECB regulations

Estimates incorporated into aggregates transmitted by NCBs for Euro area accounts

Non-harmonised separate estimates also for SDDs and FCL

ESA 2010 → aligning aggregates to new sector boundaries

Future development: New, harmonised data collection from major components (Security and derivative dealers, Financial corporations engaged in lending, Central Counterpart Clearing institutions)?

Euro area financial sector – Details (S.127)

Captive financial institutions and money lenders

Not covered in ECB regulations

- Special purpose vehicles (SPEs)

ECB statistics used to cover SPEs in country/sector of registration

Aim was to compile complete euro area statistics (→ even if “off-shore” from country perspective, not off-shore for euro area)

And: if classified as MFI, IF, FVC, IC or PF, they are not to be classified as captives

Important to avoid classification differences

Euro area financial sector – Details (S.127)

Captive financial institutions and money lenders

- Holding companies

New coverage of holdings of non-financial corporations

Relevance/size of holding companies of non-financial corporations to be investigated at euro area level

→ ESA 2010: ECB statistics are likely to merge S.125-S.127, supplemented by separate “of which” statistics for FVCs

Euro area financial sector – Details (S.128 & 129)

Insurance Corporations and Pension Funds

ECB regulations planned

Insurance Corporations: using new EU supervisory data (Solvency II)

Solvency II coverage matches with ESA sector definition for insurance

First reporting 2014/2015

Pension Funds: Separate data for sector needed (currently only aggregated ICPF); long-term project: use of new EU supervisory data ?

→ ESA 2010: New insurance statistics would be compiled

Conclusions

- Existing ECB regulations will be amended
- 7-sector presentation
- Closing gaps for S.125-S.127 (“shadow banking”) ?
- Classification of FVCs and SPVs
- Insurance and Pension funds statistics under development
- More detailed sector breakdown enhances analysis ...
- ... and may be challenging for reporters and statistical compilers due to increasingly detailed sector definitions
- Changeover for ECB statistics in 2014H2-2015H1